

~~SECRET~~  
THE IMPORTANCE OF IRANIAN AND MIDDLE EAST OIL  
TO WESTERN EUROPE UNDER PEACETIME CONDITIONS

I. The Problem

To estimate the effects of the loss of (a) Iranian oil production, and (b) total Middle Eastern oil production, upon the viability of Western Europe in time of peace.

II. Discussion:      III. Tables

IV. Conclusions

1. The amount of crude oil and refined products now exported from Iran could be derived from other areas by small increases in crude production and by fuller use of available refining capacity. At the rates of consumption and levels of prices prevailing at the end of 1950, the extra annual dollar charge to Europe of procuring this amount of oil elsewhere would be about \$700,000,000.\* <sup>[Footnote as in other copy.]</sup>

2. Loss of Iranian oil production and of the refinery at Abadan would temporarily have an adverse effect upon Western European economic activity, and would impose severe financial losses particularly upon the British, who control all the oil production of the country. Although the effect of the loss of Iran on the volume of petroleum which could be made available to Western Europe might be overcome in a relatively short time by developing reserves and building refineries elsewhere, the financial effects would be overcome slowly, if at all.

3. If all Middle East oil production were to be lost, a cutback of about 10 percent in the total oil consumption of the non-Soviet world would have to be imposed. This would call for substantial rationing in the United States as well as elsewhere. International allocation would be required.

4. It is estimated that if a cutback of 10 percent from present levels of oil consumption were imposed on Western Europe, it would permit maintenance of industrial production at approximately the levels of late 1950, and of transportation at the extreme minimum necessary for that purpose. No appreciable expansion of industry, whether for achieving viability or for rearmament, would be possible. Rationing of even 10 percent would present ~~great~~ great difficulties in time of peace.

5. Loss of the total oil production of the Middle East would have an extremely serious effect upon Western European viability, and would make the Western European rearmament program impossible of accomplishment without severe repercussions on the US economy.

Statement of the problem, and conclusions  
(minus footnote) as they stood at the end of  
the meeting yesterday.